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ABSTRACT

In 1993, Project FORUM issued a report (Ahearn, 1993) that provided information on resources available to states and districts in accessing Medicaid reimbursements for services for students with disabilities, a relatively new source of funding at that time. It is now over 10 years since Medicaid funds were approved for use for special education services, and this document summarizes the current conditions and issues concerning the use of these funds. It begins by providing an overview of the Medicaid program, state requirements for accessing funds, and legislative changes that made it possible to access funds for providing services to students with special needs. Findings from the Center on Special Education Finance of state finance systems in 1999-2000 are presented and indicate there was significant growth in state recovery of Medicaid funds over the past 5 years. Billing was conducted by local education agencies or other parties in about two-thirds of responding states. The portion of reimbursements that states return to the local education agencies ranges from 15 to 100 percent. Additional information is presented for six states: Arizona, Connecticut, Delaware, Illinois, Washington, and Pennsylvania. A data sheet is included that shows level of Medicaid reimbursements for different states. (Contains 10 references.) (CR)

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NATIONAL ASSOCIATION OF STATE DIRECTORS
OF SPECIAL EDUCATION, INC.

QUICK TURN AROUND

PROJECT FORUM

QTA – A BRIEF ANALYSIS OF A CRITICAL ISSUE IN SPECIAL EDUCATION

TAPPING MEDICAID FUNDS

By
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AUGUST 2001

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Quick Turn Around

Project FORUM at NASDSE

QTA – A brief analysis of a critical issue in special education

Tapping Medicaid Funds

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August 2001

Purpose

In 1993, Project FORUM issued a report (Ahearn, 1993) that provided information on resources available to states and districts in accessing Medicaid reimbursements, a relatively new source of funding at that time. It is now over 10 years since Medicaid funds were approved for use for special education services, and this document summarizes the current conditions and issues concerning the use of these funds.

This document was completed as a task under Project FORUM's Cooperative Agreement #H159K70002 with the U. S. Department of Education, Office of Special Education Programs (OSEP). After a brief background, data from a recent survey of states by the Center on Special Education Finance are presented, and supplementary information gathered from interviews and email contacts with state department representatives is discussed.

Overview

Medicaid is a federal/state cost sharing benefit program for health and medical services for low-income individuals that was established as Title XIX of the Social Security Act in 1965. Each state submits to the federal government a plan which defines the services it will provide. The state must provide at least ten core medical services including EPSDT (Early and Periodic Screening, Diagnosis, and Treatment) for children. Each state is assigned a reimbursement percentage ranging from 50 percent to 80 percent based on the poverty level of the state. In 1997, the Children's Health Insurance Program (CHIP), a reduced-cost health insurance program, was added to Medicaid, and close collaboration between schools and the Social Security Administration has been established to foster outreach to eligible families.

The Medicaid Program and Special Education

The Health Care Financing Administration (HCFA) that administers Medicaid initially adopted a policy that Medicaid funds would not be available for health-related services that were part of a child's individualized education program (IEP) or individualized family service plan (IFSP) since the Individuals with Disabilities Education Act (IDEA) assigned responsibility for those services to the schools. However, advocacy actions and court cases gradually supported a change

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and, in 1988, the Medicare Catastrophic Coverage Act provided that Medicaid could pay for medical services provided to Medicaid-enrolled children with special health care needs on their IEP or IFSP. Based on the 1997 Amendments to the law [§612(a)(12)(A)(i)], the IDEA regulations provide that the financial responsibility of each non-educational public agency, "including the State Medicaid agency and other public insurers of children with disabilities, must precede the financial responsibility of the LEA (or the state agency responsible for developing the child's IEP)" [CFR §300.142(a)(1)]. However, parents may not be required to "sign up for or enroll in public insurance programs in order for their child to receive FAPE (free appropriate public education)" [CFR §300.142(e)(2)(i)].

Some states have developed a program for billing Medicaid for services delivered in their LEAs (local education agency or school district), while other states are not directly involved in the reimbursement process. A thorough description of the provisions of the Medicaid program and how it has been implemented in the states is beyond the scope of this document. Detailed information is available from the publications and web sites in the Reference list at the end of this document.

State Medicaid Funding for Special Education

Some studies have been conducted about school district (LEA) experiences in accessing Medicaid resources (e.g., Feldman & Leslie, 2000). However, the only data available concerning state education agency (SEA) reimbursements for Medicaid eligible costs was gathered by the federally funded Center on Special Education Finance (CSEF) for the 1994-95 school year (Parrish, O'Reilly, Dueñas, & Wolman, 1997). The CSEF repeated their study of state finance systems in 1999-2000, and the updated data concerning Medicaid were provided for use in this brief analysis. The full report will be published by CSEF later in 2001.

As the table at the end of this document shows, there was significant growth in state recovery of Medicaid funds over the past five years. In the earlier study, only 11 states were able to provide estimates of their Medicaid revenue for school-based services, but 28 states could supply these data for 1999-2000. In some cases, individual LEAs or consortia of LEAs claim these reimbursements, so the SEA may not be able to provide complete data for the state as a whole.

In the 1999-2000 study, states were asked about the handling of Medicaid billing for special education and the percentage of Medicaid reimbursements returned to LEAs. As shown in Table 2, billing is done by LEAs or other parties (an intermediate unit or a billing agent) in about two-thirds of the states that responded to this item. The portion of reimbursements that states return to the LEA ranges from 15 to 100 percent.

Interviews with State Representatives

Six states were selected to obtain further details on their experiences in accessing Medicaid reimbursements. The states were chosen to reflect variation in three factors on the CSEF table: amount of reimbursement reported, percentage returned to the LEA, and the handling of billing in the state. The following is a

summary of the information provided by these states.

Arizona: Although Arizona is listed as receiving no revenue from Medicaid, a new state-level agreement has been adopted to be implemented in April 2001 that will bring Medicaid reimbursements to the schools. All LEAs will be able to submit bills through a third party billing agent, contracted by the state Medicaid office, who will prepare the bill for the Medicaid office. All reimbursements, minus a fee for the agent, will be returned to the LEA. A request has been made by the state to HCFA for permission to bill retroactively for past services, but no decision has yet been made. The state Medicaid agency and the billing agent are providing training for LEA personnel on forms and procedures. There is strong interest in returning as much of the funding as possible to the schools.

Connecticut: The state bills Medicaid for services delivered to students, but not for administrative costs. LEAs send bills to the state Medicaid agency and 60 percent of the reimbursements received are returned to the LEA. In 1999, only seven of the state's 180 LEAs were participating, but the number is growing steadily. As of July 2000, 25 LEAs were billing and an additional 35 were signed up to begin in the current school year. Connecticut uses a "bundled rate" in which a flat amount is billed for a student based on the prescribed services eligible for reimbursement rather than billing for each separate service delivered to that student. However, complete documentation of service delivery is maintained at the school level. The state's Department of Health and Human Services provides training for school personnel and does reviews to ensure appropriate record keeping and prepare the LEAs for formal audits.

Delaware: Reimbursements for Medicaid eligible services have been collected by Delaware for seven years. The state allows Medicaid reimbursements to be used by each district to hire billing specialists. The state returns 30 percent of the amounts received to the LEAs that generated the billing. There is one restriction in the way the LEAs can use reimbursement returns: any amount generated through a program for a special population, such as a class for students with autism, must be returned to that program.

Illinois: LEAs prepare claims for Medicaid reimbursement and submit them to the Illinois Department of Public Aid, the state Medicaid agency. Each fiscal year the state returns 100 percent of the federal reimbursements to the LEA up to a total of $1 million, after which the state retains 10 percent of any additional amount generated by that LEA up to $10 million in reimbursements, after which the state retains one percent. The LEA is required to use all reimbursements for special education services and new special education programs and cannot use the funds to supplant existing programs already funded through other sources.

Pennsylvania: A single independent contractor has been hired by the state to do Medicaid billing. Each LEA or intermediate district that wants to participate submits its bills to the state through that contractor. The state has placed a control on the allocation and use of the reimbursements: the reimbursements are

deposited into a restricted receipt account for each LEA, and the LEA must submit a budget and a plan for use of the funds in order to draw down on their reimbursements for use in special education. The state program now covers only physical health services, but they are pursuing coverage for mental health services.

Washington: The state of Washington has adopted a very aggressive program to ensure Medicaid reimbursement for services delivered in schools. It is mandatory for LEAs to bill Medicaid for eligible services delivered in schools. This requirement is high stakes for LEAs because their state funding is reduced if they do not bill Medicaid for all eligible services. LEAs are required to use the state-appointed billing agent, and regional service districts in the state assist LEAs in the billing process. The state is also required by law to clearly designate the retained share of the Medicaid reimbursement for future special education expenditures.

Additional Information

It was beyond the scope of this Project FORUM task to contact every state to discuss Medicaid reimbursements. However, an email message was sent requesting verification from the State Director of Special Education in the states where data was listed as not available ("NA") in the CSEF table for the 1998-99 school year. The following summary of responses received confirms the tremendous variation and the rate of change over time in state procedures for Medicaid reimbursements.

Alaska: LEAs are not able to bill Medicaid directly for special education or related services, but LEAs do receive a prorated portion of the amount the state receives from Medicaid each year. Changes in this system are currently under study.

Colorado: LEAs bill Medicaid and must report to the SEA how much Medicaid money is used to pay special education expenditures. The SEA is involved in the review of LEA Medicaid Plans, but not in the billing process.

Iowa: The state bills Medicaid for administrative claims and eligible services on students' IEPs delivered by the Area Education Agencies (intermediate units). As of March 1, 2001, LEAs bill directly for services on the IEP or IFSP and for administrative costs. Data about reimbursements is not compiled by the SEA, but is available from the Iowa Department of Human Services.

Kentucky: LEAs that participate in the "School-Based Health Services Medicaid Program" have access to Medicaid funds. The funds are returned to the LEA directly. The statewide figures for 1998-99 are not yet available.

Minnesota: A law that became effective on 7/1/2000 "permits reimbursements for administrative costs of billing, technical assistance for the billing process, and for services provided to students with disabilities in the district" (MN Statute 125A.21). A new Medicaid billing system was developed by the state, and all districts in the state are now in the process of enrolling as Medicaid providers and setting rates for specific services.

Oklahoma: Medicaid is billed directly by the schools through intergovernmental agreements with the state Medicaid agency, the Oklahoma Health Care Authority (OHCA), and reimbursements are made without involvement of the SEA. School districts adhere to the Oklahoma Cost Accounting System (OCAS) in reporting Medicaid reimbursements, expenditures, and matching funds. The SEA and the OHCA confer in an ongoing manner for coordination of policy decisions and fiscal data relevant to the school based Medicaid/EPSDT program.

South Carolina: LEAs bill Medicaid although the SEA works closely with the Department of Health and Human Services to develop standards. An SEA staff member provides technical assistance to districts to ensure that they maximize their potential for reimbursements.

Utah: About half the LEAs and the State School for the Deaf and Blind bill Medicaid for reimbursements. The SEA is not involved and no statewide data on reimbursements is compiled.

Concluding Remarks

States vary greatly in their approaches to the use of Medicaid reimbursements as a source of revenue. SEA involvement ranges from none to total control of the process. Accessing Medicaid for school-based services is becoming a significant source of funding in some states, but claiming for eligible services is far from complete. Many states reported recent or pending revisions or current consideration of changes in their policies on Medicaid reimbursements. The requirements are complex and many of the procedures for obtaining Medicaid reimbursements are cumbersome. However, since there is no cap on the amount a state may claim for eligible services, it is expected that states will continue to pursue Medicaid to support special education even more vigorously in the foreseeable future.

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Selected Data from CSEF Survey

States	Medicaid Revenue 1994-95	Medicaid Revenue 1998-1999	Percentage Returned To LEA	How Billing Is Handled (1999-2000)
Alabama	NA	134,107	69	Statewide
Alaska	NA	NA	NA	Statewide
Arizona	NA	0	0	Statewide
Arkansas	NA	5,718,420	73	Statewide
California	NA	NA	NA	NA
Colorado	NA	234,056	NA	LEA/Intermediate Unit
Connecticut	1,456,305	7,200,000	60	Statewide
Delaware	NA	2,046,848	30	LEA/Intermediate Unit
Florida	NA	21,433,006	100	LEA/Intermediate Unit
Georgia	NA	NA	NA	NA
Hawaii	NA	0	0	Dep't. of Health
Idaho	NA	652,728	100	LEA/Intermediate Unit
Illinois	NA	217,763,055	100	LEA/Intermediate Unit
Indiana	NA	NA	NA	LEA/Intermediate Unit
Iowa	NA	NA	NA	LEA/Intermediate Unit
Kansas	966,902	16,000,000	100	LEA/Intermediate Unit
Kentucky	NA	NA	NA	LEA/Intermediate Unit
Louisiana	70,000,000	4,306,185	NA	LEA/Intermediate Unit
Maine	NA	NA	NA	Billing Agency
Maryland	NA	49,575,656	99	LEA/Intermediate Unit
Massachusetts	NA	70,000,000	50	LEA/Intermediate Unit
Michigan	36,700,000	NA	NA	LEA/Intermediate Unit
Minnesota	NA	NA	NA	Statewide
Mississippi	NA	12,425	100	LEA/Intermediate Unit
Missouri	NA	5,800,000	100	LEA/Intermediate Unit
Montana	400,000	761,175	100	LEA/Intermediate Unit
Nebraska	NA	2,361,948	100	LEA/Intermediate Unit
Nevada	NA	0	0	LEA/Intermediate Unit
New Hampshire	NA	NA	NA	NA
New Jersey	NA	25,898,461	15	Billing Agency
New Mexico	NA	7,000,000	95	LEA/Intermediate Unit
New York	NA	432,000,000	50	Statewide
North Carolina	100,305	NA	NA	Statewide
North Dakota	310,000	579,333	100	LEA/Intermediate Unit
Ohio	NA	NA	NA	Statewide
Oklahoma	NA	NA	100	LEA/Intermediate Unit
Oregon	NA	NA	100	LEA/Intermediate Unit
Pennsylvania	NA	28,966,429	100	Statewide
Rhode Island	2,750,340	8,000,000	100	LEA/Intermediate Unit
South Carolina	NA	NA	NA	NA
South Dakota	345,080	NA	NA	NA
Tennessee	NA	NA	NA	LEA/Intermediate Unit
Texas	NA	73,900,000	100	LEA/Intermediate Unit
Utah	NA	NA	NA	LEA/Intermediate Unit
Vermont	900,000	7,593,307	40	Statewide
Virginia	100,000	984,273	100	LEA/Intermediate Unit
Washington	NA	9,105,209	5	Statewide
West Virginia	NA	2,100,000	100	LEA/Intermediate Unit
Wisconsin	NA	37,960,475	40	LEA/Intermediate Unit
Wyoming	NA	0	0	NA

Source: Center for Special Education Finance, AIR, Palo Alto, CA

Note: *See text for explanations of these data.*

Legend: NA = Not Available LEA – Local Education Agency (school district)

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